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Focusing on Excellence

2000 Annual Report



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Our Values	

MAAX consistently succeeds in meeting the challenges inherent in its growth by capitalizing on proven values that are shared by all of its internal and external partners.

These values are:

- customer satisfaction;
- innovation and creativity;
- employee empowerment;
- quality and productivity;
- openness and communication; and
- a focus on optimal results.

Financial Highlights

Fiscal years closed at the end of February
(in thousands of dollars except per share amounts)

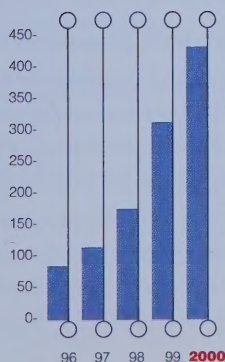
	2000	1999	1998	Change 2000/1999
Operating Results				
Sales	\$431,876	\$312,895	\$174,841	38.0 %
Net income before non-recurring expenses and amortization of goodwill	\$ 26,624	\$ 20,703	\$ 13,181	28.6 %
Net income before non-recurring expenses	\$ 24,284	\$ 19,193	\$ 12,224	26.5 %
Net income	\$ 18,367	\$ 19,193	\$ 12,224	(4.3)%
Cash flow from operations before non-recurring expenses	\$ 43,894	\$ 31,841	\$ 20,084	37.8 %
Cash flow from operations	\$ 37,977	\$ 31,841	\$ 20,084	19.3 %
Per Share				
Net income before non-recurring expenses and amortization of goodwill	\$ 1.12	\$ 0.95	\$ 0.73	17.9 %
Net income before non-recurring expenses	\$ 1.03	\$ 0.88	\$ 0.68	17.0 %
Net income	\$ 0.78	\$ 0.88	\$ 0.68	(11.4)%
Fully diluted net income	\$ 0.75	\$ 0.84	\$ 0.66	(10.7)%
Cash flow from operations before non-recurring expenses	\$ 1.85	\$ 1.46	\$ 1.11	26.7 %
Book value	\$ 9.19	\$ 8.66	\$ 4.57	6.1 %
Financial Position				
Working capital	\$ 71,783	\$ 66,286	\$ 23,237	8.3 %
Total assets	\$396,931	\$277,796	\$168,735	42.9 %
Total debt	\$117,848	\$ 30,931	\$ 57,468	281.0 %
Shareholders' equity	\$217,875	\$204,833	\$ 83,641	6.4 %
Financial Ratios				
Net profit margin*	5.6%	6.1%	7.0%	
Current ratio	1.85:1	2.46:1	1.61:1	
Total debt/equity ratio	0.54:1	0.15:1	0.69:1	
Return on weighted average equity*	11.6%	11.9%	16.6%	
Return on total assets*	7.2%	8.6%	8.5%	

* Before non-recurring expenses

\$431.9

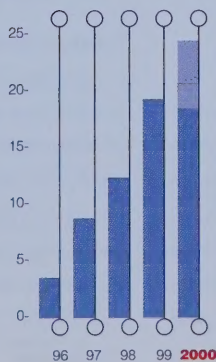
Sales

(\$ millions)



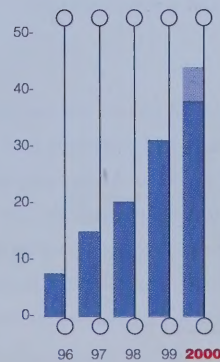
Net Income

(\$ millions)



Cash Flow

(\$ millions)



■ Non-recurring expenses of \$5.9 million after taxes

The fiscal year ended February 29, 2000, enabled MAAX to finish putting into place a top-of-the-line organizational and operational structure and to set up a cutting-edge manufacturing infrastructure designed to improve its profit margins and competitiveness. As a result, we are better positioned than ever to manage our future growth.

For several years now, we have been working hard to ensure that MAAX is successful in every way. This endeavour is behind our products' commercial success and has been instrumental in making MAAX a company all stakeholders can be proud of – customers, employees, suppliers and shareholders.

Sales and net income have grown at a staggering rate of 37.1% and 34.7% respectively since MAAX became a listed company 12 years ago. Thanks to our ambitious acquisitions strategy, a total of 14 companies have joined the MAAX Group in the past seven years. We have thereby succeeded in positioning MAAX as the leader in bathroom products and spas in Canada, while it ranks fifth in bathroom products in the United States and fourth in the American spa market. Today, MAAX offers one of the best North American product lines in three segments: bathroom products, spas and kitchen cabinets.

Integration Plan

Over the past year, MAAX has carried out the monumental task of implementing its integration plan, a strategic process involving the seven companies acquired in the last two years. The magnitude of the task and the determination to raise our profit margins prompted us to refocus MAAX based on an objective of excellence. This excellence is built on the attention paid to customers, innovative product development, service, and the delivery to shareholders

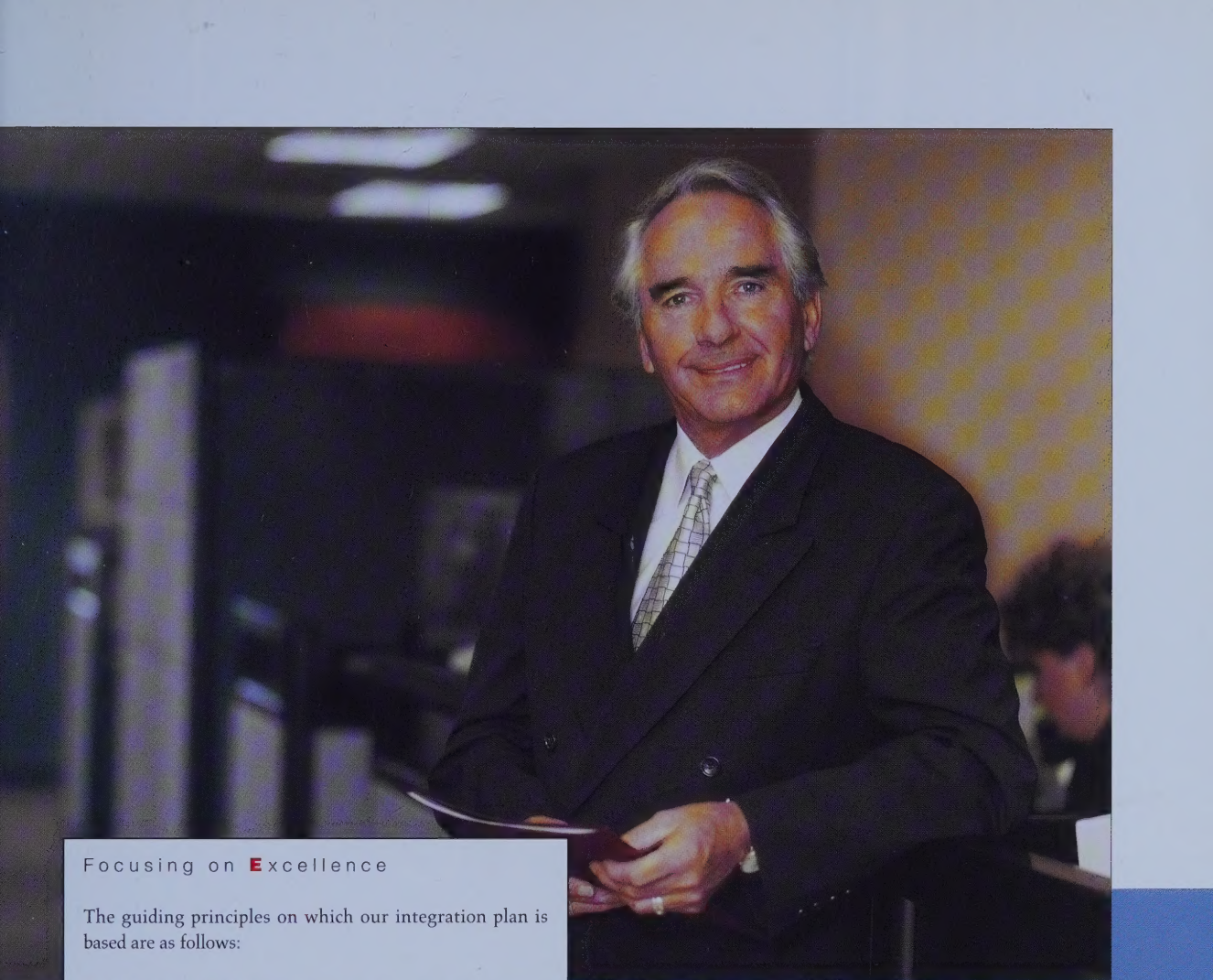
of a return above our industry average. The plan we have implemented to achieve these goals entails:

- providing MAAX with the best logistics in the industry in order to meet customer needs with maximum efficiency;
- harnessing the full potential of each of our subsidiaries through greater specialization by cutting manufacturing costs and improving manufacturing processes;
- consolidating our corporate functions, sales team and distribution centres; and
- intensifying our plant automation program.

We have now completed implementing our integration plan and we foresee that it should yield substantial annual savings for fiscal 2001, while enhancing the distinctiveness enjoyed by MAAX for its product excellence, service and return.

Sales Increase for a Ninth Consecutive Year

For fiscal 2000, MAAX recorded sales of \$431.9 million, up 38.0% over 1999. Net income before non-recurring expenses rose 26.5% to \$24.3 million or \$1.03 per share. Implementing the integration program gave rise to non-recurring expenses of \$8.8 million before taxes, bringing net income for fiscal 2000 to \$18.4 million or \$0.78 per share. These expenses are related mostly to plant integration and automation, and the consolidation of our product lines and trademarks.



Focusing on **E**xcellence

The guiding principles on which our integration plan is based are as follows:

1. MAAX CUSTOMERS are entitled to demand:

- consistently innovative products whose price/quality value is second to none;
- service meeting the highest standards and enabling them to save time and money when they do business with any one of our customer service centres;
- delivery in 48 hours or less anywhere in Canada or the United States within the next three years.

2. MAAX SHAREHOLDERS are entitled to expect a superior return on their investment over the medium term and to demand that management take the necessary measures to fuel sustained growth in sales and profitability.

3. EXCELLENCE is built by paying attention to a multitude of big and small **DETAILS** and this attention must be reflected in all aspects of our day-to-day business, including production, customer service, innovation, brand management, distribution, sales and administration.

Placide Poulin, Chairman and Chief Executive Officer

The past year was also marked by exceptionally high capital expenditures of \$34.8 million to fit out our plants with the best equipment in order to enhance the competitiveness of each product line. During the last year, MAAX also strengthened its management team, while the operational structure was modified considerably to provide the Company with the fundamentals needed to achieve its future objectives. Finally, we appointed André Héroux as President and Chief Operating Officer.

Setting our Sights on Europe

MAAX began the new millennium with a strategic acquisition that will have an impact on its future growth while carving out a foothold in the European market. The acquisition of SaniNova, a manufacturer of acrylic bathtubs, shower trays and steam cabins located near Rotterdam, in the Netherlands, gives the Company the opportunity to become truly international.

Semi-Annual Dividend

As at October 29, 1999, through its Board of Directors, MAAX approved the payment of a semi-annual dividend of \$0.07 per share. This is a first since the Company went public in 1987.

Outlook

Fiscal 2001 already looks exciting and we are convinced that MAAX is ideally positioned to deliver its best results ever. One of our goals is to top the half-billion dollar mark in sales. What's more, optimizing our integration plan will enable us to improve our return and to achieve, within the next two years, a net margin of at least 8%.

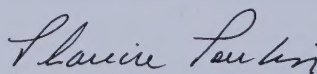
We will continue to keep a close watch on the market with a view to making other strategic acquisitions in North America and Europe. This year, we will be adding new products to our already impressive selection, namely faucets and bathroom furniture.

We are also pleased to announce that we have entered into an agreement with Warner Bros. to use Looney Tunes™ characters in some of our bathroom product lines.

Over the longer term, we are highly confident that we will attain our target of one billion dollars in revenues for fiscal 2005, while achieving a superior return on equity and an increase in profit margins.

The Company is in a position of strength with its 24 plants and eight distribution centres in Canada, the United States and Europe, not to mention 2,755 dedicated employees with a proud sense of belonging. Above all, MAAX is the bathroom product, spa and kitchen cabinet manufacturer best renowned for its innovative instinct with regard to its various product lines. This instinct spurs us to continually improve and make the most highly sought products in North America available to all our customers.


In conclusion, MAAX is poised to meet the challenges of this new millennium. Its team is dedicated, dynamic, proud, and determined to exceed all expectations in offering unparalleled quality and service to those who remain our primary *raison d'être*: our customers.



Placide Poulin

Chairman and Chief Executive Officer

May 2000



Focusing on Excellence

BATHROOM PRODUCTS

Description

This sector includes all bathroom products manufacturing operations. The main products are bathtubs, whirlpool baths, bathtub surrounds, showers and shower doors, faucets, medicine cabinets and bathroom furniture.

Production Infrastructure

MAAX manufactures its bathroom products at 18 plants:

- Eight plants in Canada: six in Quebec, one in Alberta and one in British Columbia;
- Nine plants in the United States: two in Pennsylvania, one in each of Florida, Georgia, Indiana, Iowa, Minnesota, Washington and California; and
- One plant in Europe, in Heinenoord in the Netherlands.

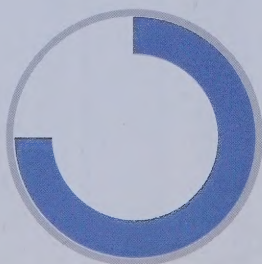
Achievements

- Increase of \$44.3 million or 15.5% in sales by maintaining high internal growth.
- Breakthrough by MAAX in Europe following the acquisition of SaniNova B.V. in January 2000. SaniNova is a leading manufacturer of acrylic bathroom products located in Heinenoord, near Rotterdam in the Netherlands.
- Specialization at all plants to benefit from superior efficiency and better manufacturing cost management.
- Better vertical integration due to the acquisition of equipment enabling MAAX to produce its own extrusion sheets.
- The automation program at the MAAX Midwest plant in Bremen is complete.



Sales by Sector

\$329.8 M



Millenia™: This gorgeous, half-moon shaped bathtub offers the possibility of sitting face-to-face or side-by-side. **An integrated manufacturer:** MAAX offers a complete range of bathroom products, from bathtubs to faucets and furniture. **Looney Tunes™ Collection:** Tweety, Bugs Bunny and all the other well-loved Warner Bros. characters can be found in your bathroom on a bathtub surround or even a shower door!

- Investments to improve manufacturing capacity at Sainte-Marie, Tring Jonction and Lachine plants.
- Implementation of a program to consolidate the product mix and trademarks in order to promote greater recognition of the MAAX brand.
- Launch of several innovative products such as the Millenia bathtub and RainForest shower.



Objectives

- Take full advantage of the successful launch of the new series of bathroom and kitchen faucets in April 2000.
- Strive to optimize MAAX's breakthrough in Europe by accelerating the growth of SaniNova, by rapidly grasping the distinctive features of this market and by making other acquisitions meeting the Company's criteria.
- Launch of the new line of bathroom furniture in the summer of 2000.
- Intensify marketing efforts in the home improvement sector by developing an approach targeted to the consumer and using the ever-popular Looney Tunes™ characters as a result of the recent conclusion of an agreement with Warner Bros.
- Optimize our new bathroom products assembly plant in California to serve the Southwestern U.S. market with greater efficiency.
- Intensively pursue the MAAX brand management program to rapidly increase its market value and impact.
- Foster the sale of cross products such as showers, shower doors, faucets...

Passion™: In 2000, MAAX launched its first exclusive series of faucets and accessories. This brushed nickel/gold lavatory faucet is part of the Passion series, one of five now on the market.



Focusing on Excellence

Overview of Operations

Description

This sector includes all spa manufacturing operations, a product category served in part by a separate distribution network, i.e., spa and pool retailers.

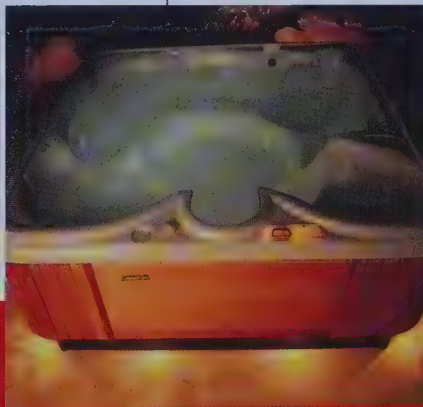
Production Infrastructure

Spas are manufactured at three plants: two in Canada (Ontario and British Columbia) and one in the United States (Arizona).

SPAS

Achievements

- Sales growth of 123.8% or \$33.9 million due to the contribution of MAAX Spas (B.C.) and MAAX Spas (Arizona) for a full year.
- Increase of 100% in production capacity at MAAX Spas (Ontario) and MAAX Spas (B.C.).
- Investments to considerably improve production line efficiency.
- Complete specialization of MAAX Spas (Ontario) plant following the transfer of acrylic bathroom products manufacturing operations to a plant in Sainte-Marie, Quebec.



Spas. Reaching a diversified customer base, spas are a promising sector. Their durability and year-long use offer a distinct advantage over other aquatic products. We offer four separate product lines: Coleman Spas, Infinity, Lifestyle and Savannah.

Sales by Sector

\$61.2 M



Objectives

- Capitalize on today's strong growth of the spa market, fuelled notably by the demand from baby boomers, by developing and marketing new models.
- Harness the manufacturing, distribution and marketing synergies between the various plants within this sector.
- Continue carrying out the marketing program aimed at new distribution networks such as home improvement centres.
- Optimize the measures implemented during the last year to improve the manufacturing infrastructure in order to yield the expected benefits in terms of efficiency and profitability.

KITCHEN CABINETS

Description

This sector includes all kitchen cabinet manufacturing operations, which use wood as primary raw material.

Production Infrastructure

Kitchen cabinets are manufactured at three Canadian plants located in Quebec.

Achievements

- Creation of this new complementary business subsequent to the acquisition of C.E. Cabinets early in the year. For its first year of operation, this segment achieved sales of almost \$41 million, a level consistent with management's expectations.
- Further vertical integration of C.E. Cabinets' operations due to the acquisition of Imperial Woodcraft, a Quebec leader in the manufacture of hardwood kitchen cabinet doors.
- Initial transfer of all Ville d'Anjou plant production to Laval.
- Investments to double production and warehousing floor space at the Laval plant by 170,000 square feet.



Sales by Sector

\$40.9 M



Objectives

- Complete the Laval plant expansion and the Ville d'Anjou production transfer to Laval.
- Carry out capacity improvements at C.E. Cabinets by optimizing its production lines.
- Take advantage of production capacity gains by intensifying marketing efforts among MAAX's distribution networks.



Focusing on Excellence

A Talk with Senior Management

*Interview with André Héroux,
Marie-France Poulin and Richard Garneau*

1. André, what has struck you most about MAAX since you joined its ranks about a year ago?

André: "From the outset, I was truly surprised to see how driven all employees were. One year later, I must say that this force is not only considerable but that it remains constant over time. This is a significant asset for an organization with MAAX's ambitions since its employees rapidly and proactively embrace change when they sense that it's in the Company's best interests."



Placide Poulin, Chairman and CEO; André Héroux, President and COO; Marie-France Poulin, Executive Vice-President; Richard Garneau, Executive Vice-President and CFO; and David Poulin, Vice-President Operations, discussing the evolution of MAAX during an Executive Committee meeting.

2. What were the key success factors at MAAX last year?

André: "Integration, consolidation, specialization, optimization. Over the previous three years, MAAX had completed eight acquisitions and its sales had multiplied almost three-fold. In view of our objectives of increasing revenue and profit growth over the short, medium and long term, we implemented an ambitious plan to maximize the synergies between and within MAAX's various constituents. In so doing, we modified the Company's operating structure considerably. I'm not talking about a minor change, but a

PLANNING EXCELLENCE

real qualitative change that has already given MAAX the platform needed to achieve one billion dollars in sales within the next five years while improving its profit margins. There was definitely a price to pay in fiscal 2000, but today the integration plan is completed and MAAX is better equipped than ever to carve out a foothold as a world-class player in its industry."

Marie-France: "Our strategy of expanding our existing product lines and developing new ones, either internally or through acquisitions, has served our interests well. In this regard, the numbers speak for themselves as 40% of sales for the last year were attributable to products that simply did not exist at MAAX three years ago. By securing a presence in a growing number of niches and renewing our products on a regular basis, we have acquired the appropriate tools to rapidly respond to changing consumer tastes and thereby meet the expectations of the distribution networks making up our customer base. We can be particularly proud of the efforts put into developing bathroom furniture and faucets since they were a real hit when they were presented at the Chicago trade show last April."

Richard: "All of our sectors contributed to the increase in MAAX's sales volume in 2000. On the one hand, we benefited from the contribution of our new kitchen cabinet sector for a first year. On the other, the bathroom products and spa sectors grew by 15.5% and 123.8% respectively compared with the previous year. From a profit standpoint, we know we've done what was required to improve our future results by implementing an extensive business integration plan."

3. In concrete terms, what were the effects of the integration plan over the past year?

André: "There were many since we reviewed all our processes in order to do better and more with less. For example, we decided that our manufacturing facilities should be specialized rather than being assigned several production jobs at a time. This decision entailed closing two plants, revising the

Integration

Consolidation

Specialization

Optimization

1. Consolidation of plant production
2. Consolidation of supply and demand
3. Rationalization of production costs
4. Centralization of production
5. Reorganization of the sales team
6. Reorganization of the distribution
7. Reorganization of the financial structure
8. Implementation of quality control
9. Reorganization of the production

production mandate of seven others, expanding and modifying the production lines at seven plants, automating two plants and building a new one. At the end of the process, we will have injected more than \$34 million to optimize not only the production at each of our 24 plants, but, above all, to optimize the various synergies between them."

Marie-France: "The same reasoning was applied to the management of MAAX brands and the number of products – which were reduced by 20%. The distribution centres restructured to maximize inventory and transportation synergies, and the customer service offices will now have the exclusive responsibility of processing customers' orders.



In so doing, we will cut costs, but most of all, we will simplify the customer order-taking process while improving our turnaround time with a view to attaining an objective of delivery within less than 48 hours anywhere in North America within the next three years."

Richard: "Our aim with this plan is to cut operating costs substantially. So far, we estimate that we are half-way to meeting our goals. After the sweeping changes of fiscal 2000, we are confident that we will achieve our annualized savings target in the second half of the current fiscal year."

4. Housing starts have peaked in the U.S. in the past five years. Isn't an eventual slowdown to be feared?

Marie-France: "While it's true that housing starts have been very strong in recent years and that about two-thirds of our business comes from the United States, 65% of our sales are recorded in the renovation sector, which is much less cyclical than the new construction market. What's more, profit margins on home improvement products designed for the bathroom and kitchen are higher because people see these two rooms as a reflection of their lifestyle and are ready to invest more to live in an esthetic, functional and comfortable environment. I would therefore say that MAAX is well protected against a shift in housing starts in the United States and that they could return to more normal levels without significantly affecting MAAX's profitability."

5. This year, MAAX will optimize its synergies. What's to be expected after that?

André: "We can certainly expect other initiatives to enhance MAAX's performance, efficiency and flexibility. While most of the work will be behind us and we will focus on optimizing the effects of the actions already in place, excellence is a dynamic concept that requires constant adjustments. You can excel at a particular time, but that doesn't necessarily last forever. In fiscal 2001, we will start implementing a new SAP management software package, the world benchmark in the field. This process will be carried out gradually over a two-year period. This management tool will allow us to further standardize and integrate our order-taking, distribution, inventory management, purchasing and accounting operations. This will result in a giant step forward in terms of excellence in logistics and supply for our customers."

6. In recent months, MAAX has completed a first acquisition in Europe. How do you assess the potential of this market?

Marie-France: "It offers excellent potential as acrylic bathroom products are very popular in Europe and are showing faster growth than enamelled steel products. Moreover, the bathroom product market in all of the European countries in which we currently sell products is showing tremendous growth. Under these circumstances and considering the fragmentation of the European bathroom product industry, conditions were ideal for establishing MAAX in this new market."

7. What will you do to make the most of this opportunity?

André: "The acquisition of SaniNova in the Netherlands has given us an outstanding opportunity to grasp the distinctive features of the European market. Its experienced and dynamic management, its growing brand awareness and a production infrastructure capable of absorbing the business's growth for several years are just some of the elements on which we will be able to build. SaniNova's products are geared mainly to the home improvement industry and we believe that our expertise in developing innovative products for this market segment will be very useful in fostering SaniNova's expansion."

8. What are your objectives for fiscal 2001 and beyond?

Richard: "To generate steady growth in profit margins in order to attain our target net margin of 8% within two years. We are convinced that this goal is within our grasp today and that we will thereby be able to deliver an attractive return on investment to our shareholders."

Marie-France: "MAAX has always strived to be a North American leader in bathroom products. Now that this objective has been achieved, we will concentrate our efforts on

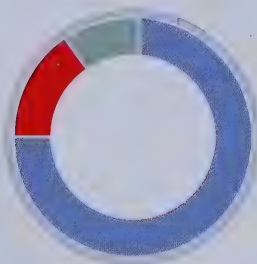
strengthening our position in North America and on expanding internationally starting with Europe. We will also carry on our expansion in the kitchen segment. Finally, we will focus on further broadening our product lines with, for example, a solid foothold in the faucet market. Similarly, we will actively pursue our marketing strategies as reflected by the recent agreement concluded with Warner Bros. to use the famous Looney Tunes™ characters."

André: "In the short term, we wish to become a model company in terms of customer service and administrative and operational process efficiency. Over the longer term, MAAX has the resources to emerge as a major player in its industry around the world."

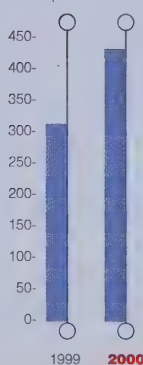
This management's discussion and analysis of the Company's operating results and changes in financial position for the year ended February 29, 2000, as well as its financial position at that date, should be read in conjunction with the consolidated financial statements appearing in this annual report. In addition, the comparative analysis between fiscal 2000 and fiscal 1999 must account for the recording of non-recurring expenses of \$8.8 million in 2000 subsequent to the implementation of an integration plan focused on the specialization and automation of several production lines as well as the consolidation of MAAX's trademarks and product mix.

Sales by Sector (\$ millions)

- Bathroom products **\$329.8**
- Spas **\$61.2**
- Kitchen cabinets **\$40.9**



Sales (\$ millions)



Description of Business

MAAX is a leader in the design, development, manufacture and distribution of bathroom products and spas. On February 29, 2000, the Company was active in three business sectors: bathroom products, spas and kitchen cabinets. MAAX's most important segment is its bathroom product business, which includes sales of acrylic, fibreglass and thermoplastic bathtubs and showers as well as shower doors and medicine cabinets. For a more detailed description of the various business sectors, please refer to note 15 of the notes to consolidated financial statements as well as pages 6 to 11 of this annual report. The Company's business has been subdivided into segments to reflect the differences in technology and marketing strategies. All operations are carried out in Canada, the United States and Europe.

Operating Results

During the fiscal year ended February 29, 2000, MAAX focused much of its action on integrating, specializing and reinforcing its organizational and operational structure. This exercise fit into the planned process of integrating the seven businesses acquired over the past two years. Most of all, it was designed to provide MAAX with a strong foundation to build its future growth while generating higher profit margins.

In fiscal 2000, the Company's sales rose 38.0% to \$431.9 million, up from \$312.9 million for the previous year. This increase of \$119.0 million was due to the following factors: internal sales growth of 13.8%; the contribution for a full year of the businesses acquired in fiscal 1999; and the contribution of the acquisitions made over the past year, namely C.E. Cabinets (twelve months), SaniNova (two months) and Imperial Woodcraft (seven months).

On a segmented basis, sales of bathroom products rose 15.5% to \$329.8 million, thereby accounting for 76.4% of consolidated sales. Sales of spas more than doubled to reach \$61.2 million and account for 14.2% of total revenues. Finally, the new kitchen cabinet sector generated sales of \$40.9 million, or 9.4% of consolidated sales volume.

The geographic breakdown of sales for fiscal 2000 was as follows: 67.2% in the United States, 31.2% in Canada and 1.6% in international markets.

Despite a temporary loss of operational efficiency caused by the implementation of the Company's integration plan, operating income (earnings before research and development costs, financial expenses, depreciation and amortization) for the last fiscal year amounted to \$62.3 million, up 30.3% over the previous year.

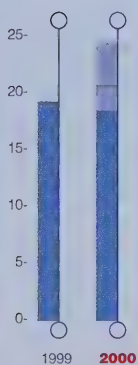
Research and development expenses remained similar to those for fiscal 1999, at \$2.5 million. Conversely, financial expenses doubled to reach \$8 million, as opposed to \$4 million in 1999, as a result of a higher debt load to finance the Company's business acquisitions and purchase of fixed assets. In addition, the large sums allocated to business acquisitions and the purchase of fixed assets for a second consecutive year led to a 41% increase in depreciation and amortization expenses, which totalled \$12.8 million compared with \$9.1 million one year earlier. After accounting for the aforementioned costs, the Company posted income before non-recurring expenses of \$38.9 million, up 20.6% over \$32.3 million in fiscal 1999.

In fiscal 2000, MAAX recorded non-recurring expenses of \$8.8 million due to the implementation of an integration plan aimed at optimizing its operational and organizational efficiency following the recent acquisitions. Consequently, net income for fiscal 2000 was slightly lower than in fiscal 1999, at \$18.4 million. Based on an 8.5% increase in the weighted average number of shares outstanding, earnings per share amounted to \$0.78. Excluding non-recurring expenses, the Company would have posted net income of \$24.3 million or \$1.03 per share, compared with \$19.2 million or \$0.88 per share for the previous year, an increase of 26.5%.

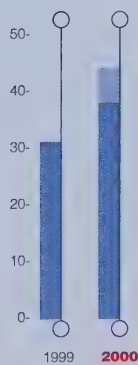
Changes in Financial Position

Before non-recurring expenses, MAAX recorded growth of 37.8% in its cash flow from operations, which totalled \$43.9 million or \$1.85 per share, as opposed to \$31.8 million or \$1.46 per share one year earlier. The inclusion of non-recurring expenses translates into cash flow from operations of \$38.0 million or \$1.60 per share. Working capital used cash of \$20.8 million due notably to the increase in inventories needed to sustain the Company's expansion. Consequently,

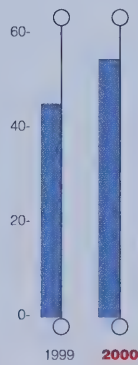
Net Earnings
(\$ millions)



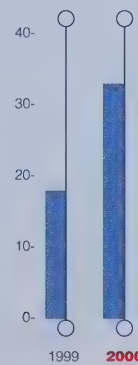
Cash Flow
(\$ millions)



Business Acquisitions
(\$ millions)



Additions to Fixed Assets
(\$ millions)



■ Non-recurring expenses of \$5.9 million after taxes

operating activities provided cash of \$17.2 million over the past year.

With regard to inventories, the inventory turnover ratio went from 7.2 for fiscal 1999 to 6.3 for fiscal 2000. Three factors were behind this decline: the start-up of a new bathroom product assembly plant in California to meet growing demand from a major customer; an increase in inventories in the spa sector to meet seasonal demand; the introduction of the faucet lines.

In addition, although accounts receivable rose 21.5% over the past year, it should be pointed out that the average collection time went from 68 days in 1999 to 60 days during the last year.

In fiscal 2000, MAAX injected record amounts into business acquisitions and the purchase of fixed assets likely to contribute to the achievement of its positioning and profitability objectives. On the one hand, the acquisitions of C.E. Cabinets, SaniNova and Imperial Woodcraft used cash of \$53.4 million and, on the other, the Company earmarked \$33.1 million for its capital expenditure program to fit out its subsidiaries with the best equipment to increase the competitiveness of each product line.

These investments were financed by cash flow from operations as well as financing activities that provided cash of \$66.0 million. On October 29 of last year, the Company also introduced a dividend policy by paying a semi-annual dividend of \$0.07 per share, for a total of approximately \$1.7 million.

After accounting for these various inflows and outlays of cash, the Company showed a bank overdraft of \$4.5 million as at February 29, 2000.

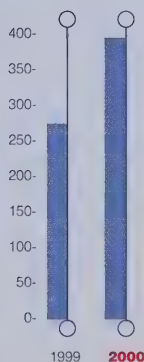
Financial Position

In fiscal 2000, MAAX preserved a healthy financial position while sustaining a large-scale business acquisitions and capital expenditure program.

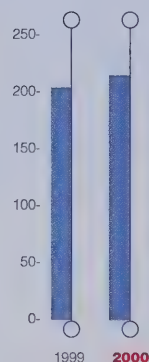
Total assets rose 42.9% to \$396.9 million as at February 29, 2000. Working capital held fairly steady at \$71.8 million for a current ratio of 1.85:1, compared with 2.46:1 at the end of fiscal 1999.

For a second consecutive year, MAAX's acquisitions and internal growth led to a significant increase in accounts receivable and inventories. The Company also recorded goodwill of \$127.2 million at the end of last year. The financing of capital expenditures and business acquisitions through greater use of financial leverage resulted in the recording of \$112.4 million in long-term debt, including the current portion, at the end of fiscal 2000. Shareholders' equity rose from \$204.8 million or \$8.66 per share to \$217.9 million or \$9.19 per share at the end of fiscal 2000. As at February 29, 2000, the Company's total debt amounted to \$117.8 million, for a total debt/equity ratio of 0.54:1.

Total Assets
(\$ millions)



Shareholders' Equity
(\$ millions)



Outlook, Requirements and Sources of Funds

Considering the favourable outlook for the industry, the ongoing launch of new products such as faucets, the contribution of the businesses acquired last year and the positive effects to be expected from the integration plan implemented over the past year, management is highly confident that MAAX will achieve its best financial performance ever for fiscal 2001. Management anticipates more than \$500 million in sales as well as a significant increase in profit margins. The Company could also make further acquisitions meeting its criteria in Canada, the United States and Europe.

The capital expenditure program should be scaled back to approximately \$20 million in 2001, an amount equivalent to depreciation and amortization expenses.

During fiscal 2001, cash flow from operations should be sufficient to meet part of the funding requirements arising from investment activities, the planned repayment of a minimum of \$26.6 million in long-term debt and by the eventual redemption of a maximum of 1,190,000 common shares of the Company in the normal course of business. If applicable, any additional funding requirements would be derived from unused credit facilities of over \$40 million as the Company obtained a new revolving credit facility of \$150 million on March 27, 2000.



Richard Garneau

Executive Vice-President and Chief Financial Officer

Financial Retrospective

(in thousands of dollars except per share amounts)

	2000	1999	1998	1997	1996	1995
Operating Results						
Sales	\$431,876	\$312,895	\$174,841	\$112,086	\$85,902	\$69,789
Operating income ⁽¹⁾	\$ 62,296	\$ 47,807	\$ 30,528	\$ 21,118	\$12,054	\$13,924
Net income before non-recurring expenses and amortization of goodwill	\$ 26,624	\$ 20,703	\$ 13,181	\$ 9,166	\$ 3,926	\$ 6,498
Net income before non-recurring expenses	\$ 24,284	\$ 19,193	\$ 12,224	\$ 8,657	\$ 3,514	\$ 6,144
Net income	\$ 18,367	\$ 19,193	\$ 12,224	\$ 8,657	\$ 3,514	\$ 6,144
Cash flow from operations before non-recurring expenses	\$ 43,894	\$ 31,841	\$ 20,084	\$ 14,713	\$ 7,750	\$ 9,208
Cash flow from operations	\$ 37,977	\$ 31,841	\$ 20,084	\$ 14,713	\$ 7,750	\$ 9,208
Per Share⁽²⁾						
Net income before non-recurring expenses and amortization of goodwill	\$ 1.12	\$ 0.95	\$ 0.73	\$ 0.55	\$ 0.24	\$ 0.43
Net income before non-recurring expenses	\$ 1.03	\$ 0.88	\$ 0.68	\$ 0.53	\$ 0.22	\$ 0.41
Net income	\$ 0.78	\$ 0.88	\$ 0.68	\$ 0.53	\$ 0.22	\$ 0.41
Net income (fully diluted)	\$ 0.75	\$ 0.84	\$ 0.66	\$ 0.50	\$ 0.22	\$ 0.39
Cash flow from operations before non-recurring expenses	\$ 1.85	\$ 1.46	\$ 1.11	\$ 0.89	\$ 0.48	\$ 0.62
Cash flow from operations	\$ 1.60	\$ 1.46	\$ 1.11	\$ 0.89	\$ 0.48	\$ 0.62
Book value	\$ 9.19	\$ 8.66	\$ 4.57	\$ 3.67	\$ 2.72	\$ 2.46
Shares outstanding (in thousands)	23,717	23,644	18,332	17,770	16,306	15,724
Financial Position						
Working capital	\$ 71,783	\$ 66,286	\$ 23,237	\$ 7,193	\$10,792	\$ 8,131
Fixed assets	\$109,721	\$ 70,503	\$ 48,800	\$ 43,354	\$34,266	\$19,260
Total assets	\$396,931	\$277,796	\$168,735	\$117,881	\$82,861	\$60,470
Total debt	\$117,848	\$ 30,931	\$ 57,468	\$ 26,798	\$28,765	\$12,997
Shareholders' equity	\$217,875	\$204,833	\$ 83,641	\$ 65,210	\$44,252	\$38,564
Financial Statistics						
Net profit margin ⁽³⁾	5.6%	6.1%	7.0%	7.7%	4.1%	8.8%
Current ratio	1.85:1	2.46:1	1.61:1	1.24:1	1.75:1	1.58:1
Total debt/equity ratio	0.54:1	0.15:1	0.69:1	0.41:1	0.65:1	0.34:1
Return on weighted average equity (net) ⁽³⁾	11.6%	11.9%	16.6%	17.1%	8.3%	18.6%
Return on total assets ⁽³⁾	7.2%	8.6%	8.5%	8.6%	4.9%	12.8%

(1) Before depreciation, amortization, research and development expenses, interest and income taxes.

(2) Per share amounts have been restated to account for the two-for-one stock split as at April 3, 1997.

(3) Before non-recurring expenses.

Management Report

The consolidated financial statements of MAAX Inc. and the other financial information contained in this annual report are the responsibility of the Company's management and have been approved by the Board of Directors. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include amounts established according to the most probable assumptions made by management and based on prudent judgment.

To fulfill its obligations, the Company's management sees to the maintenance of adequate accounting records, the establishment of satisfactory internal controls to safeguard its assets, and the development of policies and procedures to provide assurance as to the reliability of the information.

The external and internal auditors have unrestricted access to the Audit Committee to discuss any matter relevant to their audit. This Committee is responsible for examining the financial statements and recommending their approval to the Board. It is also responsible for recommending the appointment or renewal of the term of the external auditors.

The external auditors appointed by the shareholders are responsible for auditing the consolidated financial statements and expressing an opinion based on their audit.



Placide Poulin

Chairman and Chief Executive Officer
Sainte-Marie, Quebec



Richard Garneau

Executive Vice-President and Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of MAAX Inc. as at February 29, 2000 and February 28, 1999 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2000 and February 28, 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Quebec, Canada
April 21, 2000

Consolidated Balance Sheets

As at February 29, 2000 and February 28, 1999
(in thousands of dollars)

	2000	1999
Assets		
Current assets:		
Cash	\$ -	\$ 3,129
Immigrant investment (note 3)	3,695	-
Accounts receivable	70,712	58,216
Inventories (note 4)	72,141	46,847
Income taxes recoverable	4,888	-
Prepaid expenses	4,566	3,500
	156,002	111,692
Fixed assets (note 5)	109,721	70,503
Goodwill (note 6)	127,173	92,293
Other assets	4,035	3,308
	\$ 396,931	\$ 277,796
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	\$ 4,486	\$ -
Bank loans (note 7)	5,479	1,753
Accounts payable and accrued liabilities	49,937	35,468
Income taxes payable	-	400
Current portion of long-term debt (note 8)	24,317	7,785
	84,219	45,406
Long-term debt (note 8)	88,052	23,146
Deferred income taxes	6,785	4,411
Shareholders' equity:		
Capital stock (note 9)	144,333	144,364
Balance payable in shares on business acquisition (note 9)	1,200	-
Contributed surplus (note 9)	-	208
Retained earnings	72,069	55,688
Cumulative translation adjustment	273	4,573
	217,875	204,833
Commitments and contingencies (note 16)		
	\$ 396,931	\$ 277,796

See accompanying notes to consolidated financial statements.

On behalf of the Board,



Placide Poulin, Director



Richard Garneau, Director

Consolidated Statements of Income

Years ended February 29, 2000 and February 28, 1999
(in thousands of dollars, except per share amounts)

	2000	1999
Sales	\$ 431,876	\$ 312,895
Expenses:		
Operating	369,580	265,088
Research and development	2,499	2,488
Financial expenses (note 12)	8,048	3,952
Amortization (note 12)	12,817	9,087
	392,944	280,615
Income before non-recurring expenses	38,932	32,280
Non-recurring expenses (note 10)	8,765	—
Income before income taxes and goodwill amortization	30,167	32,280
Income taxes (note 11):		
Current	6,680	10,255
Deferred	2,780	1,322
	9,460	11,577
Income before goodwill amortization	20,707	20,703
Goodwill amortization, net of income taxes of \$683 in 2000 and \$720 in 1999 (note 11)	2,340	1,510
Net income	\$ 18,367	\$ 19,193
Income per share:		
Before goodwill amortization	\$ 0.87	\$ 0.95
Net income per share	\$ 0.78	\$ 0.88
Fully diluted income per share:		
Before goodwill amortization	\$ 0.84	\$ 0.91
Fully diluted income per share	\$ 0.75	\$ 0.84

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended February 29, 2000 and February 28, 1999
(in thousands of dollars)

	2000	1999
Retained earnings, beginning of year	\$ 55,688	\$ 39,055
Net income	18,367	19,193
	74,055	58,248
Premium on redemption of shares	329	—
Dividends	1,657	—
Share issue expenses, net of income taxes of \$1,152	—	2,560
	1,986	2,560
Retained earnings, end of year	\$ 72,069	\$ 55,688

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended February 29, 2000 and February 28, 1999
(in thousands of dollars)

	2000	1999
Cash provided by (used for):		
Operations:		
Net income	\$ 18,367	\$ 19,193
Items not affecting cash:		
Amortization	12,817	9,087
Amortization of goodwill	3,023	2,230
Amortization of financial expenses	1,218	249
Deferred income taxes	2,552	1,082
Operating cash flows	37,977	31,841
Changes in non-cash operating working capital (note 13)	(20,767)	(23,286)
	17,210	8,555
Financing:		
Increase (decrease) of bank loans	2,156	(969)
Increase in long-term debt	72,079	39,201
Repayment of long-term debt	(6,021)	(69,909)
Proceeds of issuance of shares	480	97,396
Redemption of shares	(1,042)	-
Dividends	(1,657)	-
Share issue expenses	-	(3,712)
	65,995	62,007
Investments:		
Business acquisitions, net of bank overdrafts (note 2)	(53,422)	(44,638)
Additions to fixed assets	(33,128)	(17,979)
Proceeds from disposal of fixed assets	178	425
Goodwill	(1,658)	(438)
Other assets	(2,790)	(1,619)
	(90,820)	(64,249)
Increase (decrease) in cash	(7,615)	6,313
Cash (bank overdraft), beginning of year	3,129	(3,184)
Cash (bank overdraft), end of year	\$ (4,486)	\$ 3,129

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended February 29, 2000 and February 28, 1999

(tabular amounts are expressed in thousands of dollars, except per share amounts)

The Company is incorporated under the Quebec Companies Act. Its principal business activity is to design, develop, manufacture and distribute bathroom products, spas and kitchen cabinets.

1 Significant accounting policies:

a) Consolidation:

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

b) Immigrant investment:

The immigrant investment, stated at cost, which approximates the fair value, consists of term deposits bearing interest at 7%.

c) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Work in progress and finished goods are valued at the lower of cost and net realizable value.

Cost is determined using the first-in, first-out basis.

d) Fixed assets:

Fixed assets are stated at cost, net of government grants and investment tax credits.

Amortization is calculated using the following methods, rates and periods:

Assets	Methods	Rates and periods
Paving	Diminishing balance	4%
Buildings	Straight-line	40 years
Moulds and dies	Straight-line	2 to 7 years
Furniture and equipment	Diminishing balance	10% and 20%
Data processing system	Diminishing balance	15% and 30%
Automotive equipment	Diminishing balance	20% and 30%

e) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses and is amortized using the straight-line method over periods not exceeding 40 years.

The unamortized portion of goodwill is regularly compared with its fair value based on expected future income and, in case of permanent impairment, the carrying value of goodwill would be written down.

f) Other assets:

Deferred costs, stated at cost less accumulated amortization, are amortized using the straight-line method over 3 and 5 years.

g) Income taxes:

The Company provides for income taxes using the tax allocation basis. Deferred income taxes result mainly from the difference between capital cost allowance claimed for tax purposes and depreciation recorded in the books.

h) Foreign currency translation:

Self-sustaining foreign operations

Net assets of self-sustaining foreign operations are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated using the average exchange rate of the year. Exchange gains and losses arising from the translation are deferred and included in a separate item of shareholders' equity and will be included in income when there will be a reduction in the net investment in these foreign operations.

Foreign currencies transactions

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the end of the year. Other assets and liabilities are translated at exchange rates prevailing at the respective transaction dates.

Exchange gains or losses related to long-term monetary items are deferred and amortized evenly over the remaining life of the asset or liability. Other exchange gains or losses are included in income. Items affecting income are translated at the exchange rate prevailing at the respective transaction dates.

i) Stock-based compensation plan:

The Company has a stock-based compensation plan, which is described in note 9. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to capital stock.

1 Significant accounting policies (cont'd):

j) Derivative financial instruments:

The Company uses various derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. The income or expense resulting from the use of these instruments is included in net income for the period and in the same financial statement category as the income or expense arising from the corresponding hedged position. Unrealized gains and losses are not recognized until the maturity of the underlying instrument.

k) Change in accounting policy:

The Company has adopted retroactively the new recommendations of the Canadian Institute of Chartered Accountants with respect to the consolidated statement of cash flows. Accordingly, in 1999, cash flows from operating and financing activities have decreased by \$582,000 and \$13,591,000 respectively. The cash flows used in the investment activities have decreased by \$13,204,000.

l) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Accordingly, actual results could differ from these estimates.

2 Business acquisitions:

On March 1, 1999 and on August 1, 1999, the Company acquired all shares of Novax Modular Group Inc. and Imperial Woodcraft, which are specialized in the manufacturing and distribution of kitchen cabinets and kitchen cabinet doors respectively.

On January 1, 2000, the Company acquired, through a subsidiary, all outstanding shares of SaniNova B.V., a Netherlands company specialized in the design, development, manufacturing and distribution of bathroom products.

During the past year, the Company also acquired the assets of Shostal Ltd. and Novi, which are specialized in the design, development, manufacturing and distribution of bathroom products.

Furthermore, it acquired the shares of Savannah Spa Manufacturing and Coleman Spas, Inc., which are specialized in the design, development, manufacturing and distribution of spas.

These acquisitions have been accounted for using the purchase method and the results of operations are included from the dates of acquisitions. The fair value of net assets acquired is as follows:

	2000	1999
Net operating working capital	\$ 14,143	\$ 11,470
Fixed assets	17,589	11,440
Other assets	521	153
Goodwill	39,462	33,639
Bank overdrafts	(3,262)	(3,643)
	68,453	53,059
Bank loans	(1,570)	—
Long-term debt	(13,227)	(1,101)
Fair value on net assets acquired	\$ 53,656	\$ 51,958
Consideration:		
Cash	\$ 50,160	\$ 40,995
Note payable without interest (NLG 4,000)	2,637	—
Balance payable in shares on business acquisition (note 9)	1,200	—
Debenture, 4%	—	6,000
Note payable (US\$1,200), 7.5%	—	1,843
Issuance of shares	—	3,120
	53,997	51,958
Deemed interest on purchase price	(341)	—
	\$ 53,656	\$ 51,958

3 Immigrant investment and immigrant loan:

With respect to the Immigrant Investor Program of the Government of Quebec, a subsidiary of the Company has obtained a loan of \$3,850,000 bearing interest at the average annual rate for five-year term deposits of certain chartered banks less 5%. This loan is payable only at maturity, that is December 2000.

This term loan is secured by investments maturing in December 2000. These investments, along with interest income related thereto, less interest paid to the creditor, will be used to redeem the above loan.

4 Inventories:

	2000	1999
Raw materials	\$ 40,797	\$ 25,643
Work in progress and finished goods	31,344	21,204
	\$ 72,141	\$ 46,847

5 Fixed assets:

	2000			1999
	Cost	Accumulated amortization	Net book value	Net book value
Lands and paving	\$ 8,670	\$ 143	\$ 8,527	\$ 5,015
Buildings	50,877	6,053	44,824	35,713
Moulds and dies	22,023	11,623	10,400	8,384
Furniture and equipment	42,978	17,652	25,326	16,625
Data processing system	8,279	3,779	4,500	2,564
Automotive equipment	5,592	2,943	2,649	2,202
Fixed assets under construction:				
Buildings	9,426	—	9,426	—
Equipment	4,069	—	4,069	—
	\$ 151,914	\$ 42,193	\$ 109,721	\$ 70,503

6 Goodwill:

	2000	1999
Goodwill at cost	\$ 136,314	\$ 98,333
Less accumulated amortization	9,141	6,040
	\$ 127,173	\$ 92,293

7 Bank loans:

Bank loans, of an authorized amount of US\$3,000,000 and NLG 5,000,000, bear interest at the bank prime rate and the bank prime rate plus 1% respectively. As at February 29, 2000 these rates are 8.75% and 5.25% respectively.

8 Long-term debt:

	Interest rates	Years of maturity	2000	1999
Revolving credits (US\$12,362 in 1999)	a)	2004	\$ 90,679	\$ 18,640
Note payable	4%	2001	667	1,333
Convertible debenture, US\$1,000 (US\$2,000 in 1999), convertible into common shares at US\$12 per share in August 2000	6%	2001	1,450	3,016
Note payable, US\$600 (US\$1,200 in 1999)	7.5%	2001	870	1,809
Immigrant loan	note 3	2001	3,850	—
Debenture	4%	2001-2002	4,000	6,000
Note payable, NLG 4,000	Without interest	2001-2002	2,537	—
Loan, NLG 2,812, secured by land, buildings and other assets	6.5%	2001-2005	1,784	—
Revolving loan, NLG 5,000, secured by land, buildings and other assets	b)	2001-2022	3,172	—
Loan, secured by land, a building and certain equipment	9.4%	2002	2,269	—
Loan, secured by a building and certain equipment	c)	2001-2002	475	—
Other	Various	2001-2005	616	133
			112,369	30,931
Current portion of long-term debt			24,317	7,785
			\$ 88,052	\$ 23,146

a) The Company has a revolving credit facility of \$75,000,000 or the equivalent in U.S. dollars to finance its current operations, capital expenditures and business acquisitions. This revolving credit will be available until 2003 and may be extended annually subject to the approval of the lender. The agreement governing this credit contains certain covenants, including the maintaining of certain financial ratios.

In addition, in February 2000, the Company has obtained an additional revolving credit of \$25,000,000 payable through the conclusion of a new credit facility or on March 31, 2000, whichever comes first.

On March 27, 2000, the Company contracted a new credit agreement with its financial institution. This new revolving credit of an amount of \$150,000,000 or the equivalent in U.S. dollars will be used to finance its current operations, capital expenditures and business acquisitions. The revolving credit can be extended annually from September 2000. In the case of non-renewal, the revolving credit will become a term loan payable within two years.

The revolving credits bear interest at floating rates based on banker's acceptance rate, bank prime rate or LIBOR. On February 29, 2000, the effective interest rate is 5.65%.

b) The revolving loan bears interest at the Euribor rate plus 1%. On February 29, 2000, the effective interest rate is 3.5%.

c) The loan bears interest at the lender's basic rate plus 2.25%. On February 29, 2000, the effective rate is 9%.

The principal repayments on long-term debt, excluding revolving credits, for each of the next five years are as follows:

2001 - \$11,363,000; 2002 - \$6,126,000; 2003 - \$680,000; 2004 - \$668,000 and 2005 - \$421,000.

Furthermore, for the purpose of the calculation of the short-term portion of the long-term debt, an amount representing one seventh of the revolving credits is used.

9 Capital stock and contributed surplus:

Authorized in unlimited number and without par value:

Class A and class B preferred shares, non-participating and non-voting. The Company's statutes authorize the issuance of class A and class B preferred shares in one or several series and allow directors to determine the quantity and designation of each series of shares and their attributes, without requiring the approval of the shareholders.

Common shares.

	2000	1999
Issued and paid:		
23,716,659 common shares (23,643,959 in 1999)	\$ 144,333	\$ 144,364

Issuances:

During the year ended February 28, 1999, the Company proceeded with the following issuances:

- Public issuance of 5,000,000 common shares at \$19.30 per share for a consideration of \$96,500,000;
- 195,000 common shares, for an amount of \$3,120,000 as part of the consideration paid in connection with the acquisition of Shostal Ltd.

Redemption:

In February 2000, the Company redeemed 83,900 common shares for a cash consideration of \$1,042,000, including amounts of \$208,000 and \$329,000 which were recorded as a reduction of the contributed surplus and retained earnings respectively.

Shares reserved:

The Company has reserved 83,333 common shares at US\$12 per share in connection with the convertible debenture in 2001 and 75,000 common shares at \$16 per share, in connection with the balance payable in shares on business acquisition, which will be issued over a four year period.

Stock option purchase plan:

Under the 1987 stock option purchase plan for the benefit of senior executives and management of the Company, 3,572,980 common shares were reserved. The exercise price of each option granted is based on the closing price on the Toronto Stock Exchange market on the day prior to the granting of such option. The plan provides for a maximum option term of ten years, or earlier in cases of termination of employment, retirement or death. The holder may exercise these options, subject to an annual limit of 20%, such limit being cumulative during the first five years.

A summary of the status of the stock option purchase plan as at February 29, 2000 and February 28, 1999 and changes during the years ended on those dates is presented below:

	2000		1999	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of year	1,339,500	\$ 10.27	1,062,900	\$ 7.13
Granted	426,000	14.57	497,000	17.09
Exercised	(156,600)	3.08	(117,400)	7.64
Cancelled	(158,000)	15.78	(103,000)	13.76
Outstanding at end of year	1,450,900	\$ 11.71	1,339,500	\$ 10.27
Options exercisable at end of year	704,900	\$ 9.41	609,900	\$ 7.25

The following table summarized information about stock options outstanding at February 29, 2000:

Options outstanding				Options exercisable	
Range of exercise price	Options outstanding	Average remaining life	Weighted-average exercise price	Options exercisable	Weighted-average exercise price
\$1.75 to \$6.20	368,500	5.1 years	\$ 4.85	336,500	\$ 4.82
\$10.25 to \$13.00	529,400	7.7 years	11.25	215,400	10.99
\$15.40 to \$19.05	553,000	8.1 years	16.73	153,000	17.31
	1,450,900		\$ 11.71	704,900	\$ 9.41

Under this plan, 874,980 stock options may be granted at the end of the year.

10 Non-recurring expenses:

As a result of the implementation of its integration plan, the Company recorded non-recurring expenses of \$8,765,000. This plan includes specialization and automation of production lines and also consolidation of product lines and trademarks.

If these non-recurring expenses, net of income taxes of \$2,848,000, had not been recorded in the books, net earnings would have amounted to \$24,284,000 and to \$1.03 on a per share basis.

11 Income taxes:

The reconciliation between income tax expense calculated using combined statutory and effective tax rates is as follows:

	2000		1999	
Income tax expense calculated using combined basic rates in Canada, United States and Europe	\$ 9,475	34.9 %	\$ 11,556	38.5 %
Add (deduct) tax effect of the following:				
Credit for manufacturing and processing profits	(223)		(578)	
Permanent differences	107		(451)	
Investment income	—		211	
Federal tax on large corporations and other differences	(582)		119	
	(698)	(2.6)	(699)	(2.4)
	\$ 8,777	32.3 %	\$ 10,857	36.1 %

12 Information on the income statement:

	2000	1999
Financial expenses:		
Interest on long-term debt	\$ 3,269	\$ 2,524
Other interest and financial expenses	3,855	2,046
Amortization of deferred exchange losses	906	151
Amortization of deferred financing charges	312	98
Interest income	(294)	(867)
	\$ 8,048	\$ 3,952
Amortization:		
Fixed assets	\$ 11,472	\$ 8,464
Deferred costs	1,345	623
	\$ 12,817	\$ 9,087

13 Supplemental cash flows information:

	2000	1999
Changes in non-cash operating working capital:		
Accounts receivable	\$ (12,496)	\$ (23,606)
Inventories	(25,294)	(20,562)
Prepaid expenses	(1,066)	(1,517)
Accounts payable and accrued liabilities	12,929	13,079
Income taxes	(5,288)	(2,150)
Immigrant investment	(3,695)	-
Working capital acquired through business acquisitions	14,143	11,470
	\$ (20,767)	\$ (23,286)
Non-cash transactions excluded from consolidated cash flows:		
Write-off of accounts payable in reduction of goodwill	\$ 452	\$ -
Acquisition of fixed assets and goodwill included in the accounts payable at year-end	1,643	583
Balance payable in shares on business acquisition	1,200	-
Balance payable in cash on business acquisitions	2,637	7,843
Issuance of common shares in connection with business acquisitions	-	3,120
Cash outflows during the year related to:		
Interest on long-term debt	\$ 3,768	\$ 1,467
Income taxes	10,542	11,595

14 Financial instruments and risk management:

The Company operates and sells its products internationally and is therefore exposed to risks related to foreign exchange fluctuations. In order to reduce these risks, the Company uses derivative financial instruments according to guidelines approved by its Board of Directors. None of these instruments is held or issued for speculative purposes.

Foreign exchange risk management:

The Company uses certain derivative financial instruments to reduce its exposure to foreign currency risk. The notional amounts of derivative financial instruments shown in the following table represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market or credit risk of such instruments. The notional amounts represent the amounts to which an exchange rate will be applied to determine the amount of cash flows to be exchanged.

Forward exchange contracts in U.S. dollars:

	2000		1999	
Maturity	Notional amounts	Average rate	Notional amounts	Average rate
2000	\$ -	-	\$ 24,000	1.4067
2001	30,000	1.4690	25,000	1.4275
2002	38,750	1.4711	27,000	1.4556
2003	11,000	1.4585	10,000	1.5479

Credit risk management:

The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company monitors the financial condition of its customers on a regular basis and establishes the credit rating of all new customers. An allowance for doubtful accounts is established to cover the specific credit risk of its customers, historical trends and economic circumstances. The Company does not believe that it is exposed to an unusual level of credit risk.

The Company believes that the diversity of its customer base, by product and by region, reduces its credit risk and the impact of abrupt fluctuations in product demand.

14 Financial instruments and risk management (cont'd):

Fair value of financial instruments:

The carrying amount of cash, accounts receivable, bank overdraft, bank loans, accounts payable and accrued liabilities approximates their fair value because of the short-term maturities of these items.

The carrying amount of the long-term debt approximates its fair value because the interest rates are close to the market rates as at February 29, 2000.

The fair value of the derivative financial instruments, being the difference between the notional amounts and the fair value of the forward exchange contracts estimated by obtaining quotes from counterparts for same or similar financial instruments, is approximately \$2,536,000 higher than its notional value.

15 Segmented information:

The Company designs, develops, manufactures and distributes products in three business segments, being: bathroom products, spas and kitchen cabinets. Until February 29, 1999, the Company evaluated shower doors and medicine cabinets as a distinct segment. Since that date, this segment is included with the bathroom products segment and comparative figures have been reclassified accordingly. The bathroom products segment includes sales of bathtubs and showers made of acrylic, fiberglass and ABS as well as shower doors and medicine cabinets. The business segments are managed separately because each business requires different technologies and marketing strategies. The management of the Company evaluates the performance of each segment based on income before income taxes and goodwill amortization. The operations are located in Canada, United States and Europe.

The accounting policies used in these business segments are the same as those described in the summary of significant accounting policies. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

Approximately 25% (23% in 1999) of total sales are attributed to one client.

Reconciliations with the financial statements of revenues and assets by business segment and geographic segment are:

	2000	1999
By business segment:		
Sales:		
Bathroom products	\$ 329,811	\$ 285,594
Spas	61,517	27,362
Kitchen cabinets	40,851	—
	432,179	312,956
Intersegment sales:		
Bathroom products	9	61
Spas	294	—
	303	61
Net sales:		
Bathroom products	329,802	285,533
Spas	61,223	27,362
Kitchen cabinets	40,851	—
	\$ 431,876	\$ 312,895
Income before income taxes and goodwill amortization:		
Bathroom products	\$ 28,143	\$ 31,942
Spas	(1,388)	338
Kitchen cabinets	3,412	—
	\$ 30,167	\$ 32,280

15 Segmented information (cont'd):

	2000	1999
By business segment (cont'd):		
Amortization of fixed assets and goodwill:		
Bathroom products	\$ 11,782	\$ 9,860
Spas	1,643	834
Kitchen cabinets	1,070	—
	\$ 14,495	\$ 10,694
Assets:		
Bathroom products	\$ 319,727	\$ 234,330
Spas	45,539	43,466
Kitchen cabinets	31,665	—
	\$396,931	\$ 277,796
Additions to fixed assets and goodwill:		
Bathroom products	\$ 28,391	\$ 18,622
Spas	2,108	378
Kitchen cabinets	5,930	—
	\$ 36,429	\$ 19,000
By geographic segment:		
Net sales, from Canadian facilities:		
Canada	\$ 134,689	\$ 108,758
United States	86,881	43,007
Overseas	2,647	3,433
	224,217	155,198
Net sales, from American facilities:		
Canada	51	94
United States	203,372	156,455
Overseas	954	1,148
	204,377	157,697
Net sales, from European facilities:		
Overseas	3,282	—
	\$ 431,876	\$ 312,895
Fixed assets and goodwill:		
Canada	\$ 126,203	\$ 78,532
United States	82,443	84,264
Europe	28,248	—
	\$ 236,894	\$ 162,796

16 Commitments and contingencies:
a) Business acquisitions:

The acquisition agreements of Novi and Coleman Spas, Inc. both include a price adjustment clause based on the final value of net assets acquired on a \$1 for a \$1 basis if these net assets are different from the amount stipulated in the contracts. The parties to these agreements are in the final phase of arbitration.

b) Contingent payment:

Some business purchase agreements provide for a contingent payment of a maximum amount of \$19,271,000 based on future income of the business acquired until February, 2005.

16 Commitments and contingencies (cont'd):**c) Operating leases:**

The Company rents fixed assets under operating leases of which rentals total \$14,892,000. Annual rentals under these leases for each of the next five years are as follows: 2001 - \$5,132,000; 2002 - \$4,111,000; 2003 - \$3,156,000; 2004 - \$1,557,000; 2005 - \$653,000 and thereafter - \$283,000. In addition, the Company must pay, for certain leases, its share of the annual operating expenses.

Further, the Company has two purchase options on buildings for \$4,000,000 and \$3,500,000 maturing in January 2002.

d) Acquisition of fixed assets:

The Company entered into an agreement with a supplier regarding the purchase of equipment totalling \$6,000,000.

Also, in 1999, the Company began the expansion of its plant in Laval at an estimated cost of \$4,226,000. On February 29, 2000, the firm commitments amounted to \$2,560,000.

e) Royalties:

In connection with the purchase of Coleman Spas, Inc., the parties entered into a ten-year licensing agreement to use the Coleman Spas trademark and associated logos. As defined in the licensing agreement, beginning October 1, 2001, the Company will be required to make royalty payments equal to 1.5% of net sales and 3% of net sales for the period from October 1, 2004 to September 30, 2007.

17 Related party transactions:

Under an agreement signed with a shareholder company, the Company is committed to pay on an annual basis management fees and a bonus of 5% calculated on consolidated income before bonus and taxes. This agreement will expire on February 28, 2001.

Under this agreement, the Company recorded the following transactions during the year:

	2000	1999
Management fees	\$ 613	\$ 602
Bonus	1,515	1,653
	\$ 2,128	\$ 2,255

18 Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Directors

Placide Poulin

Chairman and Chief Executive Officer,
MAAX Inc.

Richard Garneau

Executive Vice-President and
Chief Financial Officer, MAAX Inc.

Marie-France Poulin

Executive Vice-President, MAAX Inc.

David Poulin

Vice-President Operations, MAAX Inc.

Jean-Pierre Chartrand¹

Vice-President, Novacap Investments Inc.

Dennis Wood

President, C-MAC Industries Inc.

Louis Garneau

President and Designer,
Louis Garneau Sports Inc.

André Lamothe¹

President and Chief Operating Officer,
South Shore Industries Ltd.

Paul Bilodeau^{1,2}

Chartered Administrator

Me Jacques A. Vachon

Corporate Secretary

¹ Member of the Audit Committee

² Member of the Environmental Committee

Officers

Placide Poulin

Chairman and Chief Executive Officer

André Héroux

President and Chief Operating Officer

Richard Garneau

Executive Vice-President and
Chief Financial Officer

Marie-France Poulin

Executive Vice-President

David Poulin

Vice-President Operations

Head Office

640 Cameron, Sainte-Marie
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Subsidiaries

Canada

Imperial Woodcraft

Novax Modular Group Inc.
(C.E. Cabinets)

MAAX (Lachine, Qc) Inc.

MAAX Spas (B.C.) Inc.

MAAX Spas (Ontario) Inc.

MAAX Westco Inc.

Manhattan Products (Canada) Ltd.

United States

MAAX Hydro Swirl Manufacturing Corp

MAAX KSD Corporation

MAAX Midwest, Inc.

MAAX Southeast Inc.

MAAX Spas (Arizona), Inc.

Manhattco Products, Inc.

Pearl Baths, Inc.

Europe

SaniNova B.V.

Distribution Centres

Airdrie, Alberta

Berlin, New Jersey

Columbus, Ohio

Lakewood, New Jersey

Mississauga, Ontario

Sacramento, California

Toronto, Ontario

Langley, British Columbia

Registrar and Transfer Agents

General Trust of Canada
Montreal, Quebec
Montreal Trust Company
Toronto, Ontario

Auditors

KPMG LLP
Quebec City, Quebec

Legal Counsel

Desjardins, Ducharme, Stein, Monast
Quebec City, Quebec
Vachon, Besner & Ass.
Sainte-Marie, Quebec

Banker

National Bank of Canada

Listing

Ticker Symbol: MXA
Toronto Stock Exchange

Recent Financial Comments

- CIBC World Markets
May 2000
- Merrill Lynch
February 2000
- Nesbitt Burns
May 2000
- RBC Dominion Securities
May 2000
- Sprott Securities
May 2000
- Yorkton Securities
March 2000

Annual Information Form

A copy of the Annual Information Form, filed with the Securities and Exchange Commissions of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia, and a copy of the Notice annuelle, filed with the Commission des valeurs mobilières du Québec, may be obtained on written request from the Corporate Secretary.

Annual General Meeting of Shareholders

Wednesday, July 5, 2000 at 11:30 a.m.
Queen Elizabeth Hotel
Marquette Room
900 René-Lévesque Blvd. West
Montreal, Quebec

Pour recevoir la version française de ce rapport, veuillez écrire à :

MAAX Inc.

a/s Marie-Michelle St-Jacques
640, Cameron, Sainte-Marie
(Québec) G6E 1B2 Canada

ou communiquer par courriel :
mmstjacques@maax.com



Plants by Sector

Distribution Centres

● Bathroom products

- 1 MAAX, Sainte-Marie, QC (3 plants)
- 2 MAAX, Tring-Jonction, QC
- 3 MAAX, Lachine, QC
- 4 Manhattan, Anjou, QC
- 5 MAAX Westco, Airdrie, AB
- 6 MAAX Westco, Armstrong, BC
- 7 MAAX KSD, Riviera Beach, FL
- 8 MAAX Southeast, Valdosta, GA
- 9 MAAX KSD, Southampton, PA (2 plants)
- 10 MAAX Midwest, Bremen, IN
- 11 MAAX Midwest, Cedar Rapids, IA
- 12 Pearl Baths, Minneapolis, MN
- 13 MAAX Hydro Swirl, Bellingham, WA

- 14 MAAX KSD, Ontario, CA
- 15 SaniNova, Heinenoord, Holland

▲ Spas

- 16 MAAX Spas (Ontario), Beamsville, ON
- 17 MAAX Spas (B.C.), Maple Ridge, BC
- 18 MAAX Spas (Arizona), Chandler, AZ

■ Kitchen cabinets

- 19 C.E. Cabinets, Anjou, QC
- 20 C.E. Cabinets, Laval, QC
- 21 Imperial Woodcraft, Cookshire, QC

- 22 Mississauga, ON
- 23 Toronto, ON
- 24 Airdrie, AB
- 25 Langley, BC
- 26 Berlin, NJ
- 27 Lakewood, NJ
- 28 Columbus, OH
- 29 Sacramento, CA

24 plants / 8 distribution centres / 2,755 employees / 13 product lines



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